

REQUEST FOR COUNCIL ACTION

MEETING
DATE: 5/5/03

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AGENDA SECTION: CONSENT	ORIGINATING DEPT: Administration	ITEM NO. D-5
ITEM DESCRIPTION: Agreement With Olmsted County Relating To Use of Sales Tax Extension Funds For Regional Transportation Purposes		PREPARED BY: G Neumann

The local cost for major roadway infrastructure improvements is a concern for the City of Rochester and Olmsted County. There are several major roadway infrastructure projects that will need to be undertaken within the next 10 years to address public safety and the growth of the community. Many of these projects involve partnerships between MnDOT, Olmsted County and the City of Rochester. The potential local costs for these major roadway improvements are significant and would be paid from property taxes if the road projects are to be undertaken. As an alternative, County and City officials have discussed and requested an extension of the Rochester ½% sales tax to provide \$32 million in funding that would be available to the City and the County to pay the local costs of major roadway improvement projects. This would provide a potential funding source other than property taxes for some, but not all, of the potential local costs for major roadway infrastructure improvements.

The attached agreement has been prepared to address how the \$32 million in sales tax funding for "regional transportation" infrastructure improvements would be shared equally between the County and the City, if Legislative approval can be secured. The main rationale for sharing this amount of funding with Olmsted County is that many of the projects require a partnership between the City, County and MnDOT or some combination thereof. An attached list of "Priority Projects" for the next 10 years shows that virtually all the major roadway infrastructure improvements involve major improvements directly on State Highways or major connections of City and/or County roadways between State Highways. In addition, Rochester property-tax payers would be responsible for approximately 75% of the County property tax costs for major roadway infrastructure improvements approved by Olmsted County. Staff recommends approval of the attached agreement relating to the use of the sales tax extension request relating to "regional transportation" purposes.

COUNCIL ACTION REQUESTED.

Approval of the agreement with Olmsted County relating to the use of the sales tax extension authorization for "regional transportation" purposes.

COUNCIL ACTION: Motion by: _____ Second by: _____ to:

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AGREEMENT CONCERNING CITY SALES TAX FUNDING FOR COUNTY AND CITY ROAD COSTS

This Agreement is made this _____ day of May, 2003, between the City of Rochester, a Minnesota municipal corporation, hereinafter referred to as "City", and the County of Olmsted, hereinafter referred to as "County". The purpose of this Agreement is to provide a general understanding as to how the City will use some of its future sales tax funding for County and City road projects should the 2003 Minnesota Legislature agree to extend the City's sales tax revenue.

1. INTRODUCTION

- A. The City and County are faced with significant costs over the next 10 years for major new roadway infrastructure improvements that have resulted from the growth in Rochester and Olmsted County.
- B. Improvements to new roadway infrastructure are necessary because of the economic growth of the City and County, to improve public safety, and to ensure future growth.
- C. Many of the major new roadway infrastructure improvements that need to be undertaken over the next ten years require partnerships between the State, the County, and the City to initiate and complete the projects on a timely basis.
- D. The new roadway infrastructure improvements projected to be needed over the next ten years have the potential to create public safety problems if the projects are not undertaken and to significantly increase City and County property taxes if the projects are undertaken.
- E. The County and City have cooperated in requesting an extension of the sales tax from the Legislature.
- F. The City and County have discussed securing authorization for up to \$32 million in Rochester local sales tax funding for new roadway infrastructure through an extension of the current local sales tax to provide a funding source other than property taxes for some of the roadway infrastructure costs.

2. DISTRIBUTION OF SALES TAX PROCEEDS

- A. If the 2003 Minnesota Legislature approves an extension of the City's sales tax, the City will share and provide 50% of any sales tax collected through an extension approved by the 2003 Legislature for roadway infrastructure "regional transportation" purposes to the County.
- B. Sales tax funding provided by this extension is intended to be used for the construction of new roadway infrastructure improvements that construct new roadways or significantly expand roadway capacity.
- C. The City has re-payment obligations for sales tax projects currently underway which will require that any sales tax funding provided to the County for roadway infrastructure projects will have to be timed to permit the City to meet its obligations. Annual collections will vary in amount and are generally expected to grow over time. The parties agree that at a minimum, \$1,000,000 will be made available to the County annually, starting in 2004, for road construction purposes. Funds are required to be transferred to the County within 45 days after their receipt by the City. .
- D. The attached list of "Priority Projects" shall be given high priority by the County and City for the use of the sales tax funds. The City and County are is not restricted from

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using the sales tax funding for other new roadway infrastructure projects, but shall annually advise the other governing body of the projects for which the sales tax funding may be used. Each governing body shall have full authority to determine the projects on which the sales tax funding shall be used.

3. MISCELLANEOUS

A. This agreement will be null and void, and have no legal effect if the 2003 Minnesota Legislature does not approve and authorize an extension of the City's sales tax. For purposes of this agreement, "an extension of the City's sales tax" shall mean authorization to use sales tax revenue for regional transportation purposes.

B. No portion of this agreement may be assigned by one party without the written approval of the other party.

C. The terms of this agreement shall not be waived, altered, modified, supplemented, or amended, in any manner whatsoever, except by written instrument signed by the parties.

D. This agreement shall be governed by and construed in accordance with the laws of the State of Minnesota.

E. This agreement constitutes the final expression of the parties' agreement, and the complete and exclusive statement of the terms agreed upon. This agreement supersedes all prior negotiations, understanding, agreements, and representations. There are no oral or written understandings, agreements or representations not specified herein.

IN WITNESS WHEREOF, the parties have caused this agreement to be executed.

CITY OF ROCHESTER

By: _____
Its Mayor

By: _____
Its City Clerk

COUNTY OF OLMSTED

By: _____
Its Board Chairman

By: _____
Its Administrator

